
United States Olympic Committee

Audit Division



Report on:
USA Badminton

Grant Years:
2016 and 2017

Dated:
October 19, 2018



UNITED STATES OLYMPIC COMMITTEE
1 Olympic Plaza
Colorado Springs, CO
80909

October 19, 2018

Jeff Dyrek
Chief Executive Officer
USA Badminton

Dear Jeff,

Enclosed is the United States Olympic Committee's (USOC) audit report of USA Badminton (Badminton) covering the funds awarded for 2016 and 2017 years. We want to express our appreciation for being accommodating and the time you spent answering our questions and discussing procedures during the audit. It was a pleasure working with you and your staff.

The report will be presented to the USOC Audit Committee at its next quarterly meeting. There are 12 recommendations in the final report that, when implemented, will improve governance, grant funding, internal controls, grievance and SafeSport compliance. Please let us know if we can assist you with implementing any of the recommendations or if you need further clarification.

We hope you found the audit process to be helpful. If you have any suggestions, please do not hesitate to share them with us.

Sincerely,

Bridget Toelle, CPA, CIA
Vice President, Audit & Compliance

Andrea Andrews, CIA
Audit Supervisor

Ellen Senf
Staff Auditor

cc: USOC Athlete and NGB Services
USOC Sport Performance
USOC Legal
USOC Finance

USA Badminton Board of Directors



AUDIT REPORT

USA Badminton

EXECUTIVE SUMMARY

The United States Olympic Committee (USOC) Audit Division completed an audit of USA Badminton (Badminton). The purpose of the audit was to determine if Badminton is in compliance with select requirements of the Ted Stevens Olympic and Amateur Sports Act (Act), 36 U.S.C. § 220522 et seq and USOC Bylaws.

The audit period was January 1, 2016 through December 31, 2017. The following funding was included in the audit scope:

Funding	2016	2017	Total
Paralympic Performance Funding	\$ -	\$ 20,000	\$ 20,000
Special Grants	6,000	-	6,000
International Relations Grant	3,500	2,800	6,300
	<u>\$ 9,500</u>	<u>\$ 22,800</u>	<u>\$ 32,300</u>

Badminton did not materially comply with the requirements of the grant agreements for the grant periods. Badminton is not in compliance with the USOC's NGB Athlete Safety Policy (ASP). This audit resulted in an audit rating of 46.

This audit identified 12 opportunities for improvement. Badminton must significantly improve its SafeSport Program Handbook as well as its process to track completed background checks and SafeSport training. Badminton must keep a record of Paralympic performance funding expenses and ensure the accounting records agree to the final grant reports. Badminton should follow procedures by ensuring expenses have proper approvals, including Board member expenses. Badminton should improve processes over Conflict of Interest disclosure forms. Badminton should update its Bylaws to explain the "Board International Federation Delegate" position. Badminton's Board should fill the Board vacancies as soon as possible. Badminton should ensure all required individuals received IRS Form-1099s. Lastly, Badminton should improve the tracking of complaints.

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Previous audit recommendations status,
- Compliance with select requirements in grant agreements,
- Compliance with select USOC documents which are applicable to NGBs,
- Internal control environment ensures protection of USOC funds, and

- Compliance with Badminton's internal documents.

SAFE SPORT PROGRAM

Based on the samples selected during this audit, it appears that Badminton has an athlete safety program that is not compliant with the USOC's NGB ASP. The audit identified opportunities for improvement. The USOC recognizes that each NGB is different and has not mandated specific language or total uniformity in policies or practices. Instead, the USOC has provided the USOC's NGB ASP as a baseline guide. All NGBs must implement and maintain compliance, including at least the following components: define prohibited conduct, conduct criminal background checks, require education and training, reporting processes and procedures, and enforcement. Compliance with the USOC's NGB ASP does not ensure Badminton's program is effective. Nothing in the USOC's NGB ASP limits or replaces an NGB's responsibilities under applicable laws and regulations.

SUMMARY OF PRIOR AUDIT RECOMMENDATIONS

Badminton's previous audit report from the USOC, dated January 6, 2015, resulted in five recommendations in the areas of funding reporting, internal controls, and governance. One recommendation related to accurately reporting funding expenses was repeated.

CURRENT OBSERVATIONS AND RECOMMENDATIONS

This audit identified opportunities for improvement as detailed in the subsequent pages. The level of risk is identified for each recommendation. The level of risk was determined based on the potential impact it could have to Badminton and Badminton's athletes, the managerial and financial capabilities of Badminton, and any mitigating controls noted during the audit.

AUDIT RATING

Audit ratings are determined by the number of audit recommendations multiplied by the risk level. The higher the number of recommendations and the higher the risk level of each recommendation, the higher the audit rating. The audit rating is an open-ended rating, with zero being the optimal rating. See Appendix 1 for guiding principles of risk levels. Using annual total revenue as an indicator, we compared Badminton to NGBs with annual total revenue of \$3M or less. For comparability purposes, the 2015 Badminton audit did not include SafeSport audit procedures. In 2018, grievance testing was added to audit procedures.

Previous Audit Rating (2015)	11
Average Audit Rating for NGBs with Revenue less than \$3M	15
Current Audit Rating (2018)	46

ISSUES AND RECOMMENDATIONS

#: 1

Required Individuals

Finding Risk: High

Issue: As required by the USOC, individuals that an NGB formally authorized, approved or appointed (a) to a position or authority over, or (b) to have frequent contact with athletes are required to complete background checks and SafeSport training. Badminton's contracted doctors and other medical personnel, sanctioned club directors, and administrators are not required to complete background checks and SafeSport training and should be subject to both. Noncompliance with the USOC's NGB ASP can result in disciplinary action by the USOC.

Recommendation: Badminton must require contracted doctors, other medical staff, sanctioned club directors, and administrators to complete background checks and SafeSport training requirements.

Badminton Response:

USA Badminton has added an Operations Manager (started on Oct. 4, 2018) to our staff and one of their primary roles will be to track all background check requirements. USA Badminton will ensure that any USAB contracted doctors and/or medical staff complete the required background checks and Safe Sport Training. USA Badminton will also coordinate with sanctioned club directors, and administrators to complete background checks and Safe Sport Training requirements. Any individual identified as missing any of the required items will be notified that they are temporarily suspended until the missing requirement(s) are completed. Once confirmation can be confirmed then the temporary suspension will be lifted.

#: 2

Background Checks

Finding Risk: High

Issue: Badminton is not following its background check process as outlined in its SafeSport Program Handbook. A sampling of 25 individuals that were required to have criminal background checks were tested. Individuals sampled included staff, volunteers, coaches and officials as identified in Badminton's membership system. Badminton's records indicated there were not current background checks for 11 of the 25 (44%) individuals tested. The USOC's NGB ASP states each NGB shall require criminal background checks every two years for those individuals it formally authorizes, approves, or appoints to a position of authority over or to have frequent contact with athletes. Badminton could unknowingly employ individuals or engage volunteers that have a criminal history. Badminton is not in compliance with the USOC's NGB ASP. Noncompliance can result in disciplinary action by the USOC.

Recommendation: Badminton must enforce its background check policy in accordance with its SafeSport Program Handbook.

Badminton Response:

USA Badminton has added an Operations Manager (started on Oct. 4, 2018) to our staff and one of their primary roles will be to track all background check requirements. USA Badminton will check on a monthly basis by downloading the list of individuals and manually checking for compliance. We will be looking for confirmation of completion and checking expiration dates to ensure everyone has met the requirement to date. Any individual identified as missing any of the required items will be notified that they are temporarily suspended until the missing requirement(s) are completed. Once confirmation can be confirmed then the temporary suspension will be lifted.

#: 3

SafeSport Training

Finding Risk: High

Issue: Badminton is not following its SafeSport training requirements as outlined in its SafeSport Program Handbook. A sampling of 25 individuals that were required to complete SafeSport training were tested. Individuals sampled included staff, volunteers, coaches and officials as identified in Badminton's membership system. Badminton's records indicated that SafeSport training was not compliant for 14 of the 25 (56%) individuals sampled. The USOC's NGB ASP states each NGB shall require SafeSport training for those individuals it formally authorizes, approves, or appoints to a position of authority over or to have frequent contact with athletes. Badminton is not in compliance with the USOC's NGB ASP. Noncompliance can result in disciplinary action by the USOC.

Recommendation: Badminton must enforce its SafeSport training requirements in accordance with its SafeSport Program Handbook.

Badminton Response:

USA Badminton has added an Operations Manager (started on Oct. 4, 2018) to our staff and one of their primary roles will be to track all Safe Sport Training requirements. USA Badminton will check on a monthly basis by downloading the list of individuals and manually checking for compliance. We will be looking for confirmation of completion and checking expiration dates to ensure everyone has met the requirement to date. Any individual identified as missing any of the required items will be notified that they are temporarily suspended until the missing requirement(s) are completed. Once confirmation can be confirmed then the temporary suspension will be lifted.

#: 4

Training Verification

Finding Risk: High

Issue: Badminton's members use an online registration system to become new members or renew their membership. Badminton's membership registration system allows members to enter their own SafeSport training completion dates. The members are then required to submit their SafeSport Certificate to Badminton to verify the information provided was accurate. The verification process is not happening in a timely manner. Without a timely verification process, it is difficult for Badminton to ensure individuals have completed SafeSport training in accordance with the requirements.

Recommendation: Badminton must establish a more timely and effective process to monitor the completion of SafeSport training.

Badminton Response:

USAB has communicated with the U.S. Center for Safe Sport regarding establishing an "API" to establish a more immediate and effective process to monitor Safe Sport training completion. We have been instructed that more information regarding renewal and platform upgrades will be available in November 2018. This includes the information regarding establishing the "API".

USA Badminton has sent a letter to Simply Compete in October 2018 (database management system) to hopefully generate dialog to implement a more efficient system to ensure compliance among other system improvements.

#: 5

Final Grant Report and General Ledger Support

Finding Risk: High

Issue: Badminton received \$20,000 in Paralympic Performance funding in 2017. Badminton's 2017 Paralympic final grant report did not tie directly or was not easily reconciled to the general ledger. Badminton provided Audit with travel receipts totaling approximately \$8,256. Audit could only trace approximately \$2,877 to the general ledger. Therefore, a total of \$17,123 was unsupported and will be required to be repaid to the USOC.

The USOC NGB and Athlete Support Manual requires that the amount reported as expended on a project agrees with the total reported in the general ledger. To ensure the expenses were paid and not reported as other expenses for USOC projects the general ledger is used as the supporting document. Therefore, it is necessary for the general ledger to agree to the final grant reports. According to the Performance Partnership Agreement (PPA), funds provided by the USOC under the PPA and not spent by the NGB will be returned to the USOC unless an exception is granted.

Badminton does not have an accurate record of project expenses and the general ledger does not clearly support grant spending. If the general ledger does not agree to the final grant reports, the final grant reports may not accurately reflect the amount expended on the projects. The USOC does not have a clear accounting of the grant funds. Badminton may be required to repay the USOC. Also note that Badminton's final grant report did not show any NGB funding, which does not support a case to ask for more Paralympic funding.

Recommendation: Badminton must keep a record of the Paralympic expenses to use when preparing the final grant report. This will help ensure the general ledger can be reconciled to the final grant report provided to the USOC.

Badminton must repay \$17,123 in unsupported funds or identify which expenses in the general ledger supports the PPA funding.

Badminton Response:

Per the email communication on October 12, 2018, USA Badminton has submitted the supporting documentation.

USA Badminton has implemented subaccounts under Parabadminton in the general ledger to improve the reconciliation to the final grant report provided to the USOC.

#: 6

Approvals

Finding Risk: Medium

Issue: Badminton was missing approvals on all Paralympic funding expenses tested. Per Badminton's Internal Control procedures, expenses ranging from \$0 - \$10,000 are reviewed and approved by the Badminton CEO. Badminton could be paying for expenses that are not appropriate; however, no such instances were noted during the audit. Badminton is at a risk of loss through the misappropriation of funds and fraud.

Recommendation: Badminton should ensure expenses have proper approvals on the supporting documentation before processing any payments.

Badminton Response:

Per my telephone conversation with Ellen Senf on October 15, 2018, this item refers to the same issue raised in item #5, above. Per the email communication with the USOC on October 12, 2018, USA Badminton has submitted the supporting documentation.

#: 7

Board Term Limits and Positions

Finding Risk: Medium

Issue: Badminton's Bylaws allow for unlimited term limits for an individual that is the "Board International Federation Delegate." However, the Bylaws do not outline a process for how an individual is elected/selected or removed as the "Board International Federation Delegate." It is also not clear what roles and responsibilities this position has. For all Board positions there should be clear written procedures that outline election/selection and removal processes and roles and responsibilities. Written procedures create transparency and ensure consistency.

Recommendation: Badminton should update its Bylaws to explain the "Board International Federation Delegate" position, including but not limited to election/selection, removal, roles and responsibilities.

Badminton Response:

Per the recommendation, USA Badminton will amend its bylaws to address this issue and will clear the proposed verbiage with the USOC. USAB has a board meeting in November 2018 in which we plan to discuss the changes.

#: 8

Board Expense Approvals

Finding Risk: Medium

Issue: The Board Chair's expenses are reviewed and approved by the CEO. The CEO reports to the Board. It may be difficult for someone who reports to the Board to question expenses or request additional documentation.

The organization could be reimbursing for expenses that are not appropriate; however, no such instances were noted during the audit. Having another Board member review each other's expenses keeps Board spending transparent. The review could be done on a monthly, quarterly, or semi-annual basis as a back-up procedure after the Board member has already been reimbursed. This way, payments are not delayed, but an appropriate review procedure is in place.

Recommendation: Badminton should designate a Board member to review the other Board member's expenses on a regular basis and document when the process was done.

Badminton Response:

The USOC's recommendation will be referred to USA Badminton's Audit and Finance Committee for immediate action. USAB's board of director's self-fund and in the case referenced above the reimbursement was related to a 2017 USOC IR Grant that USAB received to support USAB's effort to gain a leadership position within our IF.

#: 9

Board Vacancies

Finding Risk: Medium

Issue: Badminton has vacant Board positions that have remained vacant for an extended period of time. Badminton Bylaw's say "Any vacancy occurring in the Board shall be filled as set forth for the election of that director. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office." Badminton is missing an opportunity to fill the vacant positions with individuals with skill sets, expertise, community connections, and diverse perspectives to the Board for the benefit of Badminton. Having vacant positions requires current Board members to take on additional responsibilities and can also impact the results of Board decisions.

Recommendation: Badminton's Board should fill the Board vacancies as soon as possible.

Badminton Response:

The Nominating Committee is expected to take action to fill the two current vacancies this month.

#: 10

IRS Form-1099

Finding Risk: Medium

Issue: In review of the Badminton 2017 general ledger, there were three individuals that received payments from Badminton that were classified as coaching or instructor fees. It was unclear whether these amounts were payments or reimbursements based on the information in the general ledger. If the payments were for services performed for Badminton, Badminton must issue Forms 1099-MISC in accordance with IRS regulations. According to IRS Publication 15 (Circular E), Employer's Tax Guide, organizations must file Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees for services performed for the organization. Badminton may not be complying with IRS regulations.

Recommendation: Badminton should work with their accounting firm to determine if Form 1099-MISCs should be issued for these individuals.

Badminton Response:

We are working with our accounting firm to determine whether Form 1099-MISC's are required to be issued for these three individuals. If so, the 1099's will be issued this month. USAB will start using sub accounts for each parent account for contract labor that will be mapped as a 1099 account.

#: 11

Conflict of Interest Improvements

Finding Risk: Medium

Issue: Based on the review of Badminton's Code of Ethics and Conflict of Interest procedures, audit found the following:

- Badminton's Code of Ethics does not require employees and board members to complete annual conflict disclosure forms.
- Of the eight active Board members tested, one of the forms could not be located.
- Badminton does not have a documented review process for Conflict of Interest (COI) forms collected from staff and board members.

Employees and directors could have potential conflicts of which the organization is unaware. Also, new conflicts can arise over time and would potentially go unrecognized if the disclosure is not required to occur on a regular basis.

Recommendation: Badminton should require employees and Board of Directors to annually submit conflict of interest disclosure forms. Badminton should develop a process to ensure COI forms are completed and reviewed. The review should be documented on an annual basis.

Badminton Response:

USA Badminton does require Board of Directors and staff to submit a conflict of interest statements at the first board meeting of each year. Once received USA Badminton will coordinate with the Judicial & Ethics Committee to review each COI to determine if a conflict may exist. USAB will also amend USAB's Code of Ethics accordingly to include language requiring staff and board of directors to complete COI form. USAB has a board meeting in November 2018 in which we plan to discuss the changes.

#: 12

Tracking Grievances

Finding Risk: Medium

Issue: Badminton does not have a tracking process for complaints. Without a tracking mechanism for complaints, it would be hard for Badminton to know when complaints were received and closed. It is important for Badminton to be aware of the current status of complaints as well. This will help Badminton manage grievances and ensure grievances are resolved promptly.

Recommendation: Badminton should track all complaints including date received and the status of the report.

Badminton Response:

Per the recommendation, USA Badminton has implemented a tracking mechanism that includes date received and status of the report per email dated 8/21/18. USA Badminton Operations Manager will track the grievance process.

CONCLUSION

Badminton did not materially comply with the requirements of the performance funding awarded to Badminton during the periods January 1, 2016 – December 31, 2017. Audit determined that Badminton's SafeSport Program did not comply with the USOC's NGB ASP and opportunities for improvement were identified. The audit resulted in 12 recommendations and an overall audit rating of 46.

We wish to thank Badminton's staff for being cooperative and accommodating during the audit. We look forward to working with you again in the future.

Appendix 1

The level of risk is identified for each recommendation in the final report. It is determined based on the potential impact it could have to Badminton and Badminton's athletes. The following guiding principles are used when determining the risk level of a recommendation:

Risk Levels	
High	<p>Ted Stevens Act, USOC Bylaws, legal violations, or a combination thereof significant enough to impact 501(c)3 or NGB status. Violations that may constitute as significant include but are not limited to:</p> <ul style="list-style-type: none"> • Funding owed back to the USOC or reallocated to a different project is greater than or equal to 5% or \$50,000 of each year's total funding • Significant internal control breakdowns or multiple related control breakdowns • NGB's Athlete Safety Policy and/or procedures are substantially out of compliance with the USOC NGB Athlete Safety Policy requirements • Execution of the NGB's Athlete Safety Policy is substantially out of compliance, such as non-current background checks or non-current education for required individuals • NGB does not provide for prompt and equitable resolution of grievances • NGB does not provide fair notice and opportunity for a hearing • Less than 20% athlete representation where required
Medium	<p>Ted Stevens Act, USOC Bylaws, or legal infractions which are more than minimal and less than significant and may impact 501(c)3 or NGB status. These infractions include but are not limited to:</p> <ul style="list-style-type: none"> • Funding owed back to the USOC or reallocated to a different project is less than 5% or \$50,000 of each year's total funding • General internal control breakdowns • NGB's Athlete Safety Policy and/or procedures are partially out of compliance with USOC NGB Athlete Safety Policy requirement • Execution of the NGB's Athlete Safety Policy is partially out of compliance • NGB does not consistently provide for prompt and equitable resolution of grievances • NGB does not consistently provide fair notice and opportunity for a hearing
Low	<p>Minor infractions include but are not limited to:</p> <ul style="list-style-type: none"> • Minor future impact to the USOC or the NGB and athletes • Documentation clean-up • NGB's Athlete Safety Policy and/or procedures have minor improvements needed • NGB's Athlete Safety Policy is followed appropriately but does not have a process owner • Grievance policy and procedures have minor improvements